

No. 18634

IN THE

# United States Court of Appeals

FOR THE NINTH CIRCUIT

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LEAR SIEGLER, INC., a corporation,

*Appellant,*

*vs.*

JOHN S. ADKINS,

*Appellee.*

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## APPELLEE'S BRIEF.

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FULWIDER, PATTON, RIEBER, LEE &  
UTECHT

5455 Wilshire Boulevard,  
Los Angeles 36, California,  
and

BEILENSEN, MEYER, ROSENFELD &  
SUSMAN,

By PETER R. COHEN,  
9601 Wilshire Boulevard,  
Beverly Hills, California,  
*Attorneys for Appellee.*

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## APPELLEE'S BRIEF.

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### I.

#### Jurisdictional Statement.

Plaintiff-appellant Lear-Siegler, Inc. (hereinafter referred to as "Lear") purports to base its appeal from the order of the District Court on 28 United States Code Sections 1292 Subd. (a) and 1292 Subd. (b). With respect to Section 1292 Subd. (a) Lear argues that "the order relating to stay of all further proceedings is tantamount to an injunction against further proceedings . . . and thereby provides a basis for this court's jurisdiction under 28 United States Code, Section 1292-(a) . . ." (O. B. p. 2).<sup>1</sup>

The same argument was considered and rejected in *Lyons v. Westinghouse Electric Corporation* (1955, Cir. 2), 222 F. 2d 184 where the court held that an order temporarily staying an action pending the outcome

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<sup>1</sup>O. B. will be used to refer to appellant's opening brief.

of a prior state court action is not the equivalent of an injunction and therefore not appealable under Section 1292 Subd. (a). The court there said at page 185:

“ . . . we should not treat the order as a substitute for a decree in equity enjoining its further prosecution. . . . ”

Regarding Lear's attempt to predicate appellate jurisdiction upon Section 1292 Subd. (b), the courts which have considered that section have held that where the District Court fails to identify the allegedly controlling issue of law and fails to explain how its prompt resolution might shorten the litigation, the certification pursuant to that section is defective and will not support an appeal, *In re Heddendorf* (1959, Cir. 1) 263 F. 2d 887, *Milbert v. Bison Laboratories* (1958, Cir. 3) 260 F. 2d 431, *Gotterman v. Central Motors Corporation* (1952, Cir. 2) 268 F. 2d 194, *Speir v. Robert C. Herd & Co.* (1960, D. C. Md.) 189 Fed. Supp. 436.

In its order granting leave to appeal, this court stated that it desired argument on the question of whether “this court may . . . treat the application presented . . . as an application for writ of mandamus.”

Although the Second Circuit has repeatedly held that an appeal from an order which is not appealable cannot be treated as an application for a writ of mandamus, *Zamore v. Goldblatt* (1953, Cir. 2) 201 F. 2d 738, *Magnetic Engineering and Mfg. Co. v. Dings Mfg. Co.* (1949, Cir. 2) 178 F. 2d 866, this court has held that an appeal from a non-appealable order may be considered as a petition for a writ of mandamus, *Shapiro v. Bonanza Hotel Co.* (1950, Cir. 9) 185 F. 2d 777,



*Steccone v. Morse-Starrett Products Co.* (1951, Cir. 9) 191 F. 2d 197. Defendant-appellee John S. Adkins (hereinafter referred to as "Adkins") believes that the rule formulated by this court is correct, and because mandamus is the proper remedy to obtain review of a stay order, *Mach-Tronics, Inc. v. the Hon. Alfonso J. Zirpoli* (1963, Cir. 9) 316 F. 2d 820, *Butler v. Judge of the U. S. District Court, etc.* (1941, Cir. 9) 116 F. 2d 1013, Adkins will proceed without further discussion of the procedural questions to the *sole* issue, which has been stated by the court and accepted by Lear (appellant's concise statement of points on appeal) and Adkins as whether or not the District Court "abused its discretion in granting the said order for stay" (Order, filed April 25, 1963).

## II.

### Statement of the Case.

Appellant's statement of the case (O. B. pp. 2-5) is in part deceptive and misleading and in certain particulars false and untrue, and totally fails to apprise this court concerning the basis of the granting of Adkins' motion for a stay of all further proceedings, and therefore Adkins is required to set forth at some length the facts which are material.

### The Federal Court Action.

The action in the United States District Court for the Southern District of California (hereinafter referred to as the "federal court action") was commenced on March 4, 1963 by the filing of the Complaint for declaratory relief which alleged that Adkins has charged Lear with infringement of United States Letters Patent No. 2,919,586 (hereinafter referred to as

“said patent”) entitled “Gyroscope” [Tr. p. 3, lines 25-28]<sup>2</sup> and which seeks a declaratory judgment that said patent is invalid and/or that gyroscope products manufactured by Lear do not infringe said patent [Tr. p. 9, lines 17-30]. Lear characterizes the federal court action as seeking a declaratory judgment of “invalidity, unenforceability and non-infringement” of said Patent (O. B. p. 2). The Complaint failed to make any mention of either the state court action which had been pending since January 5, 1960 or the patent license agreement dated September 15, 1955 between Adkins and Lear concerning said patent and which is the subject matter of the state court action.

On March 15, 1963, Adkins filed a “Notice of Motion and Motion for Stay of All Further Proceedings” [Tr. pp. 11-13]. This motion was heard on April 1, 1963 and was granted, and the court ordered that the federal court action be stayed until final adjudication of the state court action [Tr. pp. 75-76].

The District Court, as an additional ground for its stay order stated that the federal court action “would not be tried until fall anyway” [Tr. Vol. II p. 3, line

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<sup>2</sup>Although Adkins denies that he has ever charged Lear with infringement of said patent [Tr. p. 17, line 24, to p. 18, line 7] there is not yet any issue in the District Court or before this Court concerning whether or not Adkins has charged Lear with infringement of said patent, the sole issue herein being whether the District Court properly stayed the federal court action pending the outcome of the state court action. It should be noted however that Lear apparently erroneously relies upon the contract controversy in the state court action as constituting an “actual controversy” under the Patent Laws (O. B. p. 8).

6] which according to Adkins' affidavit in support of the motion would be after the trial of the state court action [Tr. p. 18, line 32].

At the time that said stay order was entered no answer had been filed by Adkins in the federal court action.<sup>3</sup>

#### **The State Court Action.**

The state court action was commenced on January 5, 1960 by Adkins [Tr. pp. 20-25] and an answer thereto was filed by Lear on February 10, 1960 [Tr. pp. 44-46]. Attached as Exhibit 2 to the Complaint in the state court action [Tr. pp. 27-43] was a copy of an "Agreement" between Adkins and Lear dated September 15, 1955 (hereinafter referred to as "said agreement") and which is the subject matter of the state court action and which provides insofar as here material that Lear agrees to pay to Adkins a royalty of 1¼% on all gyroscope products manufactured and sold by Lear [Tr. p. 31] which embody a claim or invention disclosed or intended to be disclosed in an application for United States Letters Patent [Ex. B to said agreement] which are "patented or patentable" [Tr. p. 29]. (Said application matured into said patent.) Said agreement further provides in a paragraph entitled "List of Products" that the MA-1 compass (which contains a Model 2156 gyro [Tr. p. 15, lines 26-27]) and the

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<sup>3</sup>Lear's statement of the case at p. 3 states that "no answer to the Complaint" in the state court action has been filed, which is untrue in that Lear answered the Complaint in the state court action on February 10, 1960 and the state court action has been at issue since that date.

Model 2152 and Model 2153 steel gyros are products covered by said agreement. Said agreement also provides in Paragraph 2(a) that Lear shall have the right on 90 days prior written notice to Adkins to terminate any one or more licenses granted in said agreement [Tr. p. 30].<sup>4</sup>

On December 27, 1957 Adkins resigned his position at Lear effective February 1, 1958 and Lear failed to give any notice pursuant to Paragraph 11 of said agreement [Tr. p. 16, lines 14-17] and said patent license thereby became a non-exclusive license six months and fifteen days after February 1, 1958, *i.e.*, on August 16, 1958 [Tr. p. 39].

On April 8, 1959, Lear purported to unilaterally terminate said agreement [Tr. p. 16, lines 8-9] although Lear continued to use the invention covered by said agreement and described in the Application for Letters Patent which was Exhibit B to said agreement [Tr. p. 16, lines 10-13].

These facts were before the trial court in the federal court action and were not denied by Lear.

On January 5, 1960 said Patent issued.

The complaint in the state court action contains two separate causes of action, the first for breach of said agreement, and the second for breach of confidence and misappropriation of plaintiff's "ideas, discoveries and inventions" [Tr. p. 23, line 26, to p. 25, line 1] which also proceeds on implied contract and unjust enrichment theories.

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<sup>4</sup>Although said agreement also concerns another issued Patent and another invention neither is involved in either the federal court action or the state court action.

By motion dated April 11, 1963,<sup>5</sup> Lear sought to limit discovery in the state court action to the period prior to April 8, 1959 arguing that its notice of termination was effective to terminate all contractual obligations of Lear and thereafter Adkins' only course of action was a suit in the federal court for infringement. On May 7, 1963, the court in the state court action rejected this argument stating in part that "*Seagren v. Smith*, 63 Cal. App. 2d 733 is a complete answer to that contention . . . *Seagren v. Smith* is conclusive on this point." In other words the state court has decided that Lears contractual obligation continues over the entire period as to which Adkins makes any claim.

On June 15, 1963,<sup>5</sup> Lear moved in the state court action for leave to file a second amended answer asserting an affirmative defense based on alleged invalidity of said patent on several different grounds. Adkins opposed the filing of this affirmative defense on the theory that Lear was estopped by reason of said agreement to question the validity of said patent. On August 8, 1963<sup>5</sup> the state court based in part on *Bowers Mfg. Co. v. All Steel Equipment, Inc.* (1960, Cir. 9) 275 F. 2d 809, held that Lear was estopped to question the validity of the licensed patent and denied Lear's motion for leave to amend.

Lear urges in this court that the jurisdiction of the federal court on patent questions "is exclusive of the state court" (O. B. pp. 6 and 14). However, in a Memorandum of Points and Authorities filed in the state court action dated August 7, 1963<sup>5</sup> Lear urged

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<sup>5</sup>Adkins request the court to take judicial notice of proceedings in the state court action *Kanouse v. Martin* (1853), 56 U. S. 198.



that the state court has jurisdiction to try the issues of the validity of and the scope of said patent as between the parties since these issues arise collaterally therein, citing *Heinz v. Superior Court* (1954) 42 Cal. 2d 164, 266 P. 2d 5, *Rogers v. Hensley* (1961) 194 Cal. App. 2d 486, 14 Cal. Rptr. 870 and 167 A. L. R. 1114.

At the time of the order of the District Court staying all further proceedings, the state court action had been pending for almost *three and one-half years* and a multiplicity of protracted discovery motions and other proceedings had been completed [Tr. pp. 18-19]. On March 15, 1963, plaintiff estimated that the matter would be ready for trial *within* six months [Tr. p. 18, line 32]. On the date hereof substantially all discovery has been completed and the matter is set for pre-trial on October 25, 1963<sup>5</sup> and a trial date is reserved for November 4 or November 11, 1963.<sup>5</sup>

Thus Lear's statement that "the state court proceeding probably will run for several years . . ." (O. B. p. 5) is clearly erroneous and in bad faith.

#### **Summary of Adkins' Argument.**

Adkins' position herein is as follows:

1. That the entire controversy between Adkins and Lear arises out of said agreement and therefore there is no jurisdiction "arising" under the patent laws (28 United States Code, Section 1338 *et seq.*)

2. That in the alternative and because issues concerning the validity and scope of said patent arise collaterally in the state court in a breach of contract action there is concurrent jurisdiction over the questions of the validity of and the scope of said patent in the federal

and state courts rather than exclusive jurisdiction in the federal court. Consequently where there is concurrent jurisdiction there is no federal policy which requires the federal court to proceed where a prior state court action is pending which involves all of the issues in the federal court action and which will be *res judicata* in the federal court action.

3. That the only true basis for federal jurisdiction is the Declaratory Relief Act (28 United States Code, Section 2201) under which the District Court has broad statutory discretion to refuse jurisdiction where a prior state court action will determine all of the issues between the parties in the federal court action and in addition conclude the entire controversy.

### III.

**Where Because of a License Agreement There Is No Federal Jurisdiction Arising Under the Patent Laws or Where There Is Concurrent Jurisdiction of All Issues in Both the Federal and the State Courts, the Federal Court Has Inherent Power to Stay Further Proceedings in the Federal Court Action Pending the Outcome of a Prior State Court Action and It Is Not an Abuse of Discretion to Grant Such a Stay.**

#### **A. The Federal Court Action Does Not "Arise" Under the Patent Laws.**

In *Atlas Imperial Diesel Co. v. Lanova Corp.* (1948 D.C. Del.), 79 F. Supp. 1002, Lanova sued Atlas in the state Superior Court for royalties due under a patent license agreement covering 39 patents. Two weeks thereafter, Atlas, alleging jurisdiction based solely on the federal patent laws, sued Lanova in the federal court for a declaratory judgment seeking, among other things, a declaration that the 39 patents were invalid.

In *dismissing* the federal court action the District Court held relying on *Pratt v. Paris Gas Light & Coke Co.* (1897), 168 U. S. 255 that the entire controversy arose out of the license agreement and therefore there was no federal jurisdiction under the patent laws as the action did not “arise” under the Patent Laws within the meaning of 28 U. S. C. §1338, Subd. (a).

The Court said at page 1004:

“A suit involving a license agreement is not necessarily a suit under the patent laws even if a patent or claims have to be construed. . . .”

Accord, *Luckett v. Delpark* (1926), 270 U. S. 496 where the United States Supreme Court held that an action does not “arise” under the Patent Laws so as to confer federal jurisdiction where issues involving a patent license agreement between the parties are preliminary issues which must be considered before any consideration of the patent issues of validity and scope.

Consequently under the *Lanova* case, *supra*, and the *Luckett* case, *supra*, the existence of said agreement results in the absence of jurisdiction in the federal district court based on the patent laws as the suit does not properly “arise” under the patent laws within the meaning of 28 U. S. C. §1338, Subd. (a).

*Michle Printing Press & Mfg. Co. v. Publication Corporation* (1948, Cir. 7) 166 F. 2d 615, relied upon by Lear herein (O. B. p. 15) involved a license for an experimental 90 day period at the conclusion of which both plaintiff and defendant *agreed* that defendant had the right to terminate the license agreement. At the time of termination defendant ceased using the licensed invention and did not manufacture a similar device until



four years later. Under these circumstances the court basing its decision upon the absence of any issue concerning defendant's right to cancel the agreement held that defendant was not estopped to question the validity of the patent. The court stated that there was "no question as to the right of the defendant under the agreement to effect such a cancellation."

The case at bar is patently different in that it is uncontroverted that Lear did not cease manufacture of products under the said agreement, and the effectiveness of Lear's purported unilateral cancellation of said agreement is not only one of the main issues in the state court action, and also a question of state law, but is also an issue that has been decided adversely to Lear.

**B. Because of Said Agreement There Is Concurrent Jurisdiction in the Federal Court Action and the State Court Action Concerning the Issues of Validity and Scope of Said Patent.**

Lear predicates its argument in this court on the erroneous proposition that the federal court has exclusive jurisdiction concerning the questions of validity of and the scope of said patent, and then places principal reliance upon *Mach-Tronics, Inc. v. The Hon. Alfonso J. Zirpoli* (1963, Cir. 9), 316 F. 2d 820, which Lear cites for the proposition that the federal court cannot refuse jurisdiction because of the pendency of a prior state court action where the jurisdiction of the federal court is exclusive.

In the instant action because there is no federal jurisdiction based on the patent laws, there is no policy requiring federal determination of substantive federal law questions similar to that in the *Mach-Tronics*

case which requires the federal court to exercise its exclusive jurisdiction over treble damage antitrust suits. Rather, where no substantive federal law over which federal jurisdiction is exclusive is involved the declared federal policy requires the federal court to refuse to exercise its jurisdiction (see *infra*, Point III C). As this court said in the *Mach-Tronics* case *supra* abstention is justified in those cases where

“after certain issues have been determined in the state court it may come about that the decision in the state court may render further action in the federal court unnecessary. . . .”

In addition, the *Mach-Tronics* case *supra*, is entirely distinguishable from the case at bar on other grounds. In the *Mach-Tronics* case, *supra*, the court after reviewing the cases where federal abstention is permissible, held that since jurisdiction of a treble damage suit under the anti-trust laws is exclusive in the federal courts, and since a defense in the state court action based on a violation of the anti-trust laws is not *res judicata* in the federal court treble damage suit, there would be no justification for delaying trial of the treble damage suit pending the outcome of the state action. In reaching this result the court stated that the treble damage suit was a creation of federal statute and relied upon the exclusivity of federal jurisdiction over such an action.

Although the Patent Laws are also a creation of federal statute this is the only similarity. In the case at bar, a decision in the state court action will be *res judicata* on the same issues in the federal court action, *Lyons v. Westinghouse Electric Corporation* (1955, Cir. 2), 222 F. 2d 184, *Atlas Imperial Diesel Co. v. Lanova*

*Corp.* (1948 D.C. Del.), 79 F. Supp. 1002. Furthermore, it has long been held that there is concurrent jurisdiction in federal and state courts over questions of patent validity and scope where those issues arise collaterally in a state court matter, *H. J. Heins Co. v. Owens* (1951, Cir. 9), 189 F. 2d 505, *Seagren v. Smith* (1944), 63 Cal. App. 2d 733, 147 P. 2d 682. In the *Heins* case, *supra*, this court held that the federal court will not interfere with a suit pending in a state court because it collaterally involves patent issues, but will assume that the state court, which has certain power to deal with patent questions will correctly decide those questions.

In short, a treble damage suit under the federal anti-trust laws where jurisdiction is exclusive and where any determination of those issues in a state court when they arise defensively is not *res judicata*, cannot be analogized to a suit involving patent questions where the federal courts have recognized concurrent jurisdiction in the state court and where the result in the state court will be *res judicata* in the federal court action—especially where there is no jurisdiction in the federal court “arising” under the patent laws.

The case at bar is by far more similar to *United States v. Adamant Co.* (1952, Cir. 9), 197 F. 2d 1 where the court pointed out that “both the federal and state courts have jurisdiction” and held that despite the right of the federal court to deal concurrently with certain issues, as a matter of comity, where the state court has first acquired jurisdiction there should be no interference by the federal courts until the state action has been disposed of.

Lastly, as this court said in the *Mach-Tronics* case, *supra*, a federal district court controls its own calendar. As shown by the transcript of the hearing the issuance of the stay order was based in part upon the trial court's recognition that its calendar would not permit trial until the fall of 1963 when the same parties represented by the same attorneys would be *trying* the same issues in the state court action.

Once jurisdiction based on the patent laws is eliminated by the existence of said agreement, this action involves only the application of state law to contract issues.

Unlike the *Mach-Tronics* case where the state court action was filed only two months before the federal action, the instant state court action was filed and became at issue more than three years before Lear filed the federal court action.

In an attempt to avoid the results which follow from concurrent jurisdiction Lear argues in this court that Alkins' only remedy for the period after the purported unilateral termination of said agreement is a suit for infringement in the federal court (O. B. pp. 4-5). Adkins' remedies in the state court action are, of course, questions of state law which should be decided by the state courts. Not only has this precise point been decided by the state courts but it has also been decided in the state court action, the trial court holding that "*Seagren v. Smith*, 63 Cal. App. 2d 733 is a complete answer to that contention . . . *Seagren v. Smith* is conclusive on this point".

In *Seagren v. Smith* (1944), 63 Cal. App. 2d 733, 147 P. 2d 682, it was held that even if a patent license

is, according to provisions therein, terminated by the licensee, if the licensee continues to manufacture products under the license the licensor is not limited to the federal remedy of infringement but can sue on the contract upon the implied obligation to pay royalties upon products manufactured after the purported termination. In other words, a termination which is unaccompanied by a cessation of manufacture of the licensed product is ineffectual to terminate either the licensees contractual liability or the state courts jurisdiction.

**C. It Is the Policy of the Federal Courts to Decline to Exercise Federal Declaratory Relief Jurisdiction Where All Issues Are Pending in a Prior State Court Action.**

In *Brillhart v. Excess Ins. Co. v. America* (1942), 316 U. S. 491, 63 S. Ct. 1173, the court held that the District Court was not compelled to assume jurisdiction of a declaratory relief suit, but had statutory discretion to stay or dismiss a suit for declaratory relief where the same issues were pending between the same parties in a prior state court action. Accord, *Home Indemnity Company, New York v. Lechner* (1961, S. D. Cal.), 191 F. Supp. 116, where the court also held that the word "may" in the Declaratory Relief Act (28 U. S. C. §2201) was *permissive* and that the federal court could refuse to exercise declaratory relief jurisdiction where plaintiff was using the Declaratory Relief Act in an effort to obtain a piecemeal determination of a prior state court proceeding.

In *Bowers Mfg. Co. v. All Steel Equipment Co.*, (1960, Cir. 9), 275 F. 2d 809, this court held that a nonexclusive licensee cannot unilaterally terminate the license agreement and by that device avoid the doctrine



of estoppel to question the validity of the licensed patent, and also held that a licensee cannot by resort to the federal declaratory relief act avoid that estoppel and said at page 813:

“Appellant has no more right to attack its licensors patent in a declaratory action than by rescission, or in defense of a suit for royalties.”

See also *Yellow Cab Co. v. City of Chicago* (1951, Cir. 7), 186 F. 2d 946, where the court held that the District Court had discretion to refuse declaratory judgment jurisdiction where the result “would not finally determine the rights of the parties” or “where it is being sought merely to determine issues which are involved in a case already pending and can be properly disposed of therein.” The court also said at page 951:

“Nor should declaratory relief be granted where it would result in piecemeal trials of the various controversies presented or in the trial of a particular issue without resolving the entire controversy . . .”

In 6 Moore’s Federal Practice 3153, §57.28, *Pending Actions*, the author states that:

“. . . where as in a declaratory action, the discretion of the federal court to grant relief is invoked, the court may properly refuse to proceed where, because of the duplicating character of the federal action, it does not sufficiently serve a useful purpose . . .”

In *Kcrotest Mfg. Co. v. C-O-Two Fire Equipment Co.* (1952), 342 U. S. 180, 72 S. Ct. 219, the court, in upholding the reversal of the trial court’s denial of a stay of a second action involving only some of the

issues in the prior action pending in another district court quoted, with approval, the following language from the circuit court opinion:

“‘. . . on the other hand if the battle is waged in the Delaware arena there is a strong probability that the Chicago suit nonetheless would have to be proceeded with . . . the Chicago suit when adjudicated will bind all the parties in both cases. *Why under all the circumstances, should there be two litigations where one will suffice. We can find no adequate reason . . .*’ ” (Emphasis added).

In *CMAX, Inc. v. Hall* (1962, Cir. 9) 300 F. 2d 265 the court in holding that the granting of a continuance of a trial pending the outcome of certain administration proceeding was not an abuse of discretion said at page 268:

“Where it is proposed that a pending proceeding be stayed, the competing interests which will be affected by the granting or refusal to grant a stay must be weighed. Among these competing interests are the possible damage which may result from the granting of a stay, the hardship or inequity which a party may suffer in being required to go forward, and the orderly course of justice measured in terms of the simplifying or complicating of issues, proof, and questions of law which would be expected to result from a stay”.

In *H. J. Heins Co. v. Owens* (1951, Cir. 9), 189 F. 2d 505, this court, in holding that it would be an abuse of discretion not to stay a federal declaratory relief action instituted after a state court action and

involving only some of the issues pending in the state court action said:

“the wholesome purpose of declaratory acts would be aborted by its use as an instrument of procedural fencing either to secure delay or choose a forum.

\* \* \*

“Other courts have similarly emphasized the perversion of the purpose of declaratory judgment legislation which occurs when it is used to anticipate the result of litigation pending in another forum. . . .”

In the case at bar, assuming *arguendo* that Adkins has charged Lear with infringement, the sole issues are the validity of and the scope of said patent.

Even if these questions are decided by the federal court and before a trial in the state court action and in Lear's favor, this would not bar Adkins from proceeding with the state court action for damages for breach of said agreement, for breach of confidence and misappropriation, for breach of an implied agreement, and for unjust enrichment. For example, the state court could decide under the second cause of action that even if said patent is invalid, or if valid but that Lear's products are not within the scope of said patent, that nevertheless Lear is liable to Adkins on a misappropriation theory, or an implied contract theory, or an unjust enrichment theory. Or if said patent is declared invalid in the federal court action the state court could nevertheless decide under the first cause of action that under said agreement Lear is obligated to pay royalties to Adkins even if said patent is invalid as the contractual test for the payment of royalties under Article



1(d) of said agreement is not validity or invalidity but issuance of a patent by the Patent Office. Other examples of issues present only in the state court action which would be unaffected by a decision in the federal court action are apparent and could easily be set forth.

Although the federal court action cannot be fully determinative, the converse is not true in that the state court action will fully adjudicate all of the issues in the federal court action between the parties since the validity of the patent or estoppel to question its validity, and the scope of said patent are all proper issues in and will be decided in the state court action.

In other words, the trial of the federal court action could under no circumstances determine all the issues between Adkins and Lear, whereas final determination of the state court action will determine all issues between the parties and will decide the entire controversy. Lear's unsupported statement that "most or all of the issues in the present action will not be resolved in the state court action" (O. B. p. 5) is clearly refuted by even a cursory analysis of the issues present in both actions.

It is clear that Lear's sole purpose in instituting this action more than three years after the state court action became at issue, and based upon sham allegations of a charge of infringement, is an attempt to secure an adjudication of the questions of the validity of and the scope of said patent and in the unlikely event that said patent is adjudged invalid or Lear's gyroscope products are held not to be within the scope of said patent to use the federal judgment as a possible defense to the contract action now pending in the state court.

As this court said in *H. J. Heinz Co. v. Owens, supra*:

“ . . . this suit is an effort to interfere directly . . . with state proceedings . . . it is an effort to embarrass the state proceedings or at least to obtain a federal adjudication . . . possibly . . . helpful to the defense in the state . . . proceedings. . . ”

The federal court action is no more than a procedural maneuver which at best interferes with the state court action and which can only result in multiple piecemeal litigation which is both dilatory and vexatious and which should not be permitted.

An additional vice inheres in Lear's attempt to single out for separate trial in a different court the questions of the validity of and the scope of said patent in that when these issues are removed from the context of said agreement the preliminary and decisive issue of estoppel to question the validity of said patent is thereby avoided. A similar attempt to secure such a result was condemned by this court in *Bowers Mfg. Co. v. All Steel Equipment, Inc.* (1960, Cir. 9), 275 F. 2d 809.

Lastly, as a result of the decision in the state court action on August 8, 1963 that Lear is estopped to question the validity of said patent, a decision of invalidity, even if one could be obtained in the federal court action not only would have no effect on the state court action but in addition would have no effect on the controversy between the parties, and would thus serve no useful purpose at all.

IV.

Conclusion.

It is clear that the District Court had the discretion in an action such as this, and which does not involve *exclusive* federal jurisdiction over statutory substantive federal law, to stay the federal court action pending the outcome of the prior state court action.

Under the circumstances it is submitted that the stay granted by the federal trial court, in order to avoid multiple and vexatious litigation instituted for the obvious and apparent purpose of increasing delay and multiplying expense does not constitute an abuse of discretion where the federal court action can only decide a part of the entire cause which has been pending in the state court action for more than three years and which is about to be tried.

If Lear sincerely desires the “prompt adjudication” it asserts is essential (O. B. p. 5) it should proceed to trial in the state court action where every issue between Adkins and Lear can and will be decided.

Respectfully submitted,

FULWIDER, PATTON, RIEBER, LEE &  
UTECHT and

BEILENSON, MEYER, ROSENFELD &  
SUSMAN,

By PETER R. COHEN,

*Attorneys for Appellee.*



### **Certificate.**

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

PETER COHEN

